

Message Text

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72

ACTION NEA-12

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EO 11652 N/A

TAGS: ENRG, TU

SUBJECT: PETROLEUM SUPPLY FOR TURKEY

REF: ANKARA 1060 AND 1191

1. SUMMARY: GOT IS EXPLORING ALL POSSIBLE SOURCES OF OBTAINING ASSURED SUPPLIES OF PETROLENHM AT MORE REASONABLE PRICES. EXPECOE OBTAIN BULK OF REQUIREMENTS FROM IRAQ, SAUDI ARABIA AND KUWAIT BUT NEGOTIATIONS IN VARIOUS STAGES WITH FIRST TWO LEAVE GOT STILL FEARFUL REGARDING PRICE. END SUMMARY.

2. ECONOMIC/COMMERCIAL COUNSELOR FEBRUARY 20 CALLED ON NURVER NURES, NEWLY APPOINTED IN MINISTRY FOREIGN AFFAIRS
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(MFA) AS DEPUTY DIRECTOR BILATERAL ECONOMIC AFFAIRS WITH

SPECIAL RESPONSIBILITY FOR PETROLEUM MATTERS. COUNSELOR ASKED CURRENT STATUS OF TURKEY'S EFFORTS REGARDING SUPPLY AND PRICE OF CRUDE PETROLEUM. NURES EMPHASIZED GREAT IMPORTANCE GOT ATTACHES TO ENERGY SOURCES AND PARTICULARLY PRICE OF IMPORTED CRUDE REQUIREMENTS. HE EXPRESSED MUCH APPRECIATION FOR COPIES OF USIS PRESS RELEASES AND OTHER MATERIAL REGARDING WASHINGTON ENERGY CONFERENCE WHICH COUNSELOR HAD ALREADY SENT HIM.

3. NURES SAID GOT IS EXPLORING POSSIBILITIES AMONG ALL POSSIBLE SOURCES FOR OBTAINING ITS PETROLEUM REQUIREMENTS IN THE YEARS AHEAD. MUCH MORE IMPORTANT, HOWEVER, IS THE QUESTION OF PRICE. TURKEY'S EXPENDITURES ON PETROLEUM IMPORTS IN THE NEXT FEW YEARS COULD SERIOUSLY AFFECT ITS ECONOMIC DEVELOPMENT. GOT WILL SEEK TO ENSURE REGULAR SUPPLY OF CRUDE AT BEST PRICES IT CAN GET. POSSIBLY THE BULK OF TURKEY'S NEEDS WILL BE SUPPLIED BY IRAQ, SAUDI ARABIA, AND KUWAIT. GOT HOPED IT MIGHT BE ABLE TO OBTAIN ITS REQUIREMENTS IN RANGE OF \$10 PER BARREL, BUT NURES PERSONALLY FEARED THAT EVEN THIS MIGHT BE TOO OPTIMISTIC.

4. AN AGREEMENT SIGNED LAST YEAR WITH IRAQ PERMITS TURKEY TO OBTAIN THREE MILLION TONS OF CRUDE DURING 1974. (TURKEY HAS AN OPTION TO OBTAIN ONE MILLION TONS ADDITIONAL THIS YEAR, BUT IS NOT SEEKING TO EXERCISE THE OPTION. NURES SAID GOT WOULD BE UNLIKELY TO GET THE ADDITIONAL TONNAGE BECAUSE OF IRAQ'S HEAVY COMMITMENTS AND NEW PRICE FACTOR.) GOT IS FEARFUL REGARDING PRICE IT MAY HAVE TO PAY FOR IRAQI CRUDE HOWEVER. IRAQI GOVERNMENT INDICATED IT WANTED CHANGES IN SOME ASPECTS OF EXISTING AGREEMENT, INCLUDING PRICE. MFA DIRECTOR GENERAL GOKMEN VISITED BAGHDAD A FEW WEEKS AGO TO EXPLAIN TURKEY'S POSITION REGARDING SUPPLY AND PRICE. A GROUP FROM THE STATE PETROLEUM INDUSTRY IS NOW IN BAGHDAD TO MAKE FURTHER ARRANGEMENTS, BUT A PRICE HAS NOT YET BEEN AGREED. E/COM COUNSELOR ASKED IF GOT HAD RAISED WITH GOI (AS REPORTED IN PRESS) QUESTION OF ROYALTIES TO BE PAID TO TURKEY FOR PROPOSED KIRKUK-DORTYOL PIPELINE. NURES SAID QUESTION HAD NOT BEEN RAISED. IT WOULD BE PREMATURE TO TAKE UP THIS QUESTION WHEN TURKEY IS SEEKING AGREEMENT ON CURRENT SUPPLIES AND BEFORE PIPELINE IS BUILT. RENEGOTIATION OF PROVISIONS ON ROYALTIES SHOULD BE TAKEN UP LATER.

5. NURES SAID SAUDI ARABIAN GOVERNMENT RECENTLY INFORMED GOT LIMITED OFFICIAL USE

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THAT IT IS NOW PREPARED SUPPLY 2.5 MILLION TONS OF CRUDE DURING 1974 (AND THAT IT CAN SUPPLY 200,000 TONS OF PETROLEUM NEEDED FAIRLY SOON). SAG DID NOT QUOTE PRICE AND GOT IS FEARFUL THAT IT WILL BE TOO HIGH. SAG INDICATED IT WOULD NOT DEPART FROM OPEC PRICE. NURES FEARED THIS MEANS AS HIGH AS \$14 TO \$17 PER BARREL. GOT WILL SEND DELEGATION TO JIDDA SHORTLY FOR FURTHER DISCUSSIONS. MACOMBER

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